

# Fully Allocated Cost of Mission Activities: Part II

**Cost and Revenue Allocation Results**

**Board of Regents  
June 7, 2012**

# Purpose

- Answer long-standing Board of Regents' questions relating to what it costs to teach a student at the University
- Provide information and analysis to the administration to better understand cost drivers throughout the University
- Understand more fully the wide variety of revenue sources that support all of our missions
- Provide a baseline for future study – most valuable as a self-comparison over time
- Develop information for management decisions and policy development

# Fully allocated costs of missions - conceptual

Faculty compensation  
Teaching assistants

Scientists  
Sponsored research

Extension services  
Clinical trials

Mission  
Direct Costs  
Instruction  
Research  
Public Service



Fully Allocated  
Costs

Advisors  
Registrar

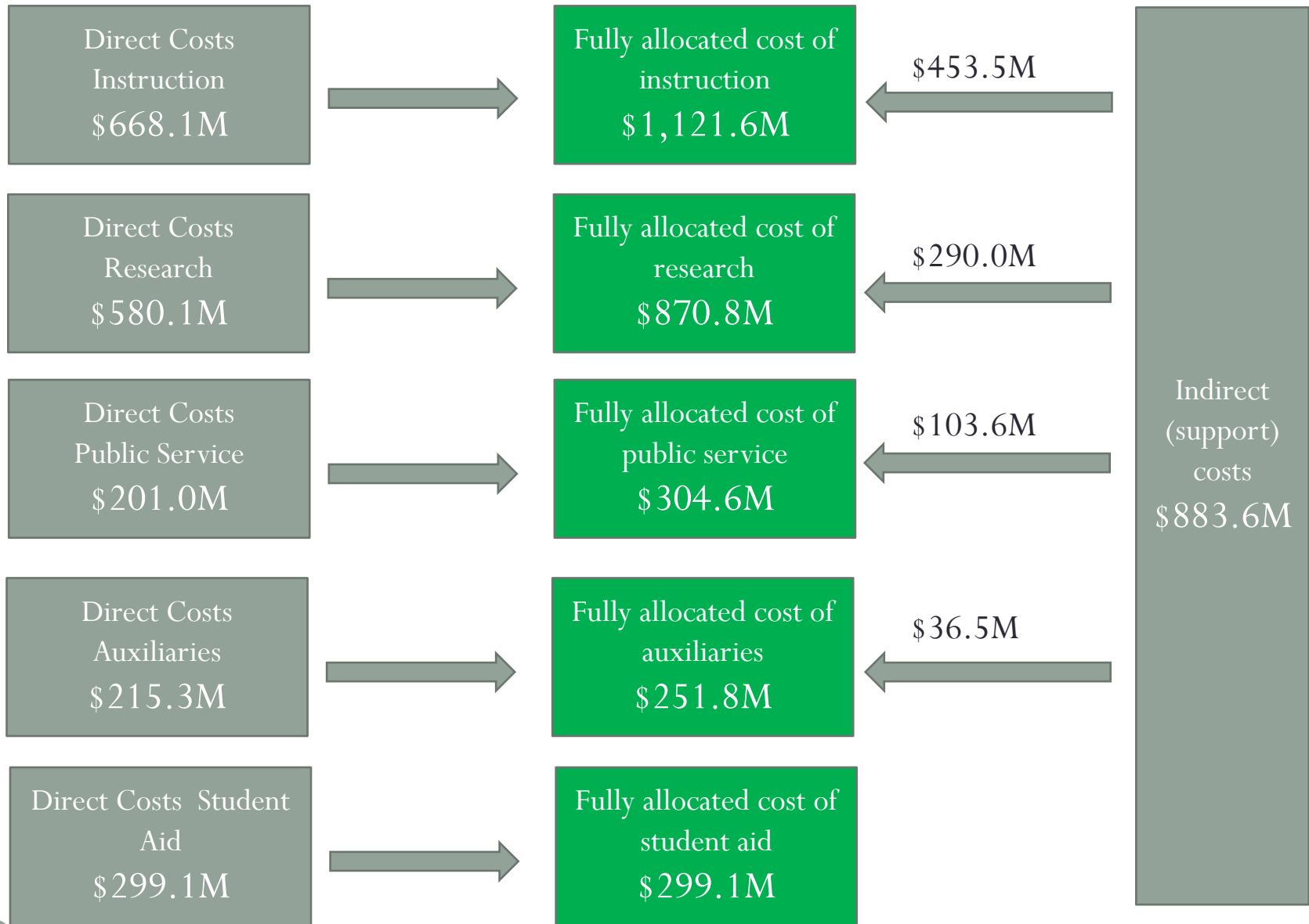
Dean's Offices  
Libraries

President's Office  
General Counsel

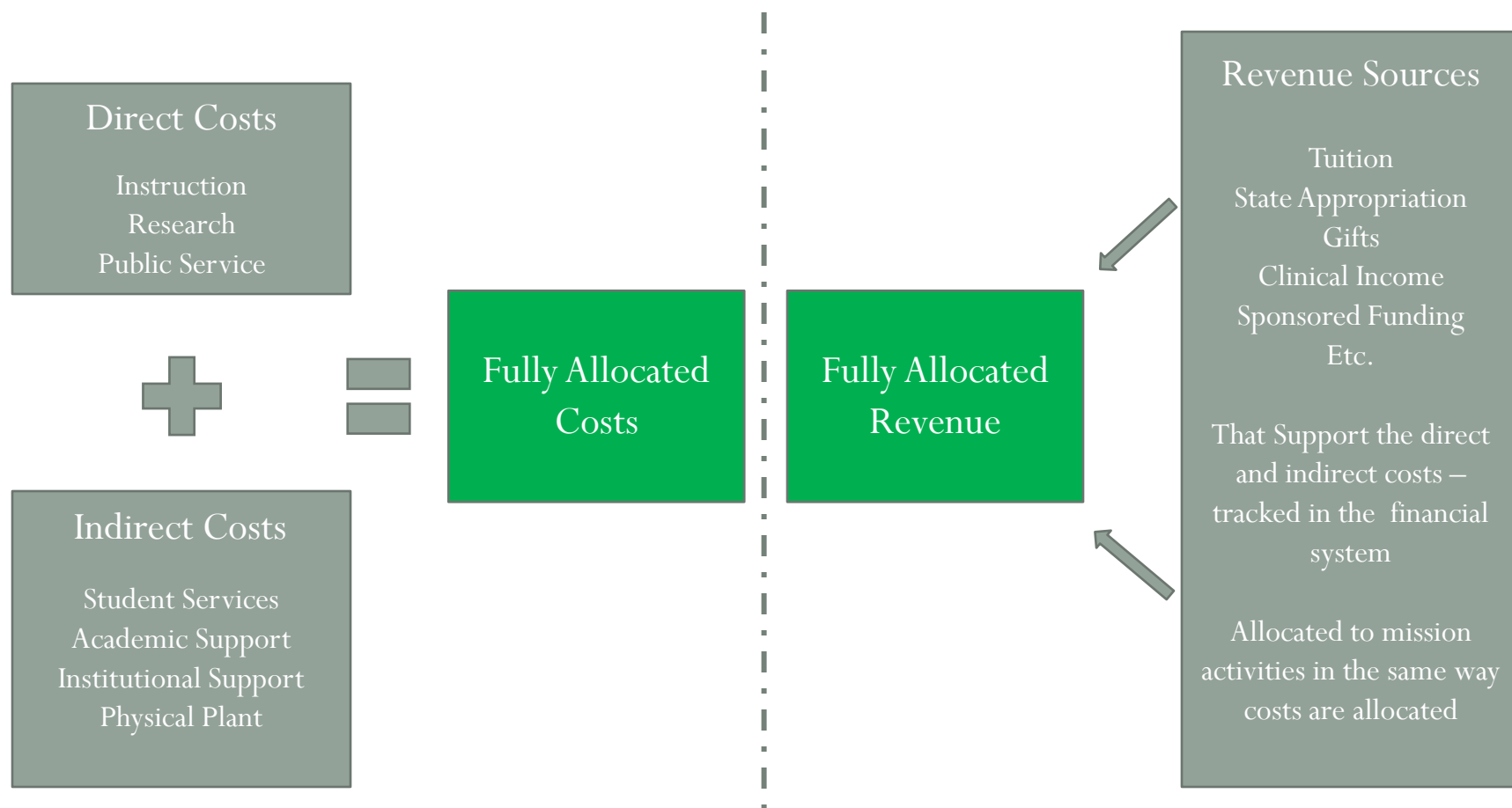
Utilities  
Repair & Maintenance

Indirect  
(Support) Costs  
Student Services  
Academic Support  
Institutional Support  
Physical Plant

# Fully allocated costs – conceptual – FY10 results



# Allocation of Revenues



# Revenue Allocation: Decision Rule

## Tuition and O&M Appropriation

- Revenues are co-mingled as general “O&M” at department level where spending occurs
- To report separately, then, a decision needed to be made on the split between them wherever “O&M” revenue supports spending
- Decision Rule = **Tuition** supports instruction & student aid only
- Decision Rule = For Student Aid – of the \$110m of O&M supporting student aid in FY10, the state appropriation portion will represent the centrally supported aid programs (\$57m), and the balance will be tuition (\$53m) – the remainder of tuition will support instruction
- So O&M revenue supporting spending in research and public service is therefore state appropriation.

# Mission-based revenue and costs

- Research
- Public Service
- Auxiliaries
- Student Aid
- Instruction

# Total Research Spending FY10 - \$870.8 Million

\$580.8 million – “direct costs” – spending coded with the Research Function Code

**Examples:** salary and fringe of graduate students and principal investigators working on a grant

\$290.0 million – “indirect costs” – spending coded with other function codes - allocated to Research through our methodology

**Examples:** portion of Deans’ Offices, portion of Chancellor’s Office; VP for Research, Sponsored Financial Reporting, lab facility costs, etc.

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\$870.8 million - Total

Of the \$580.8 Million of Direct Costs:

- \$497.7 million was in Twin Cities Colleges
- \$17.4 million was in the Coordinate Campuses
- \$65.7 million was in Other Units (MN Extension, AES, Institution-Wide Centers etc.)

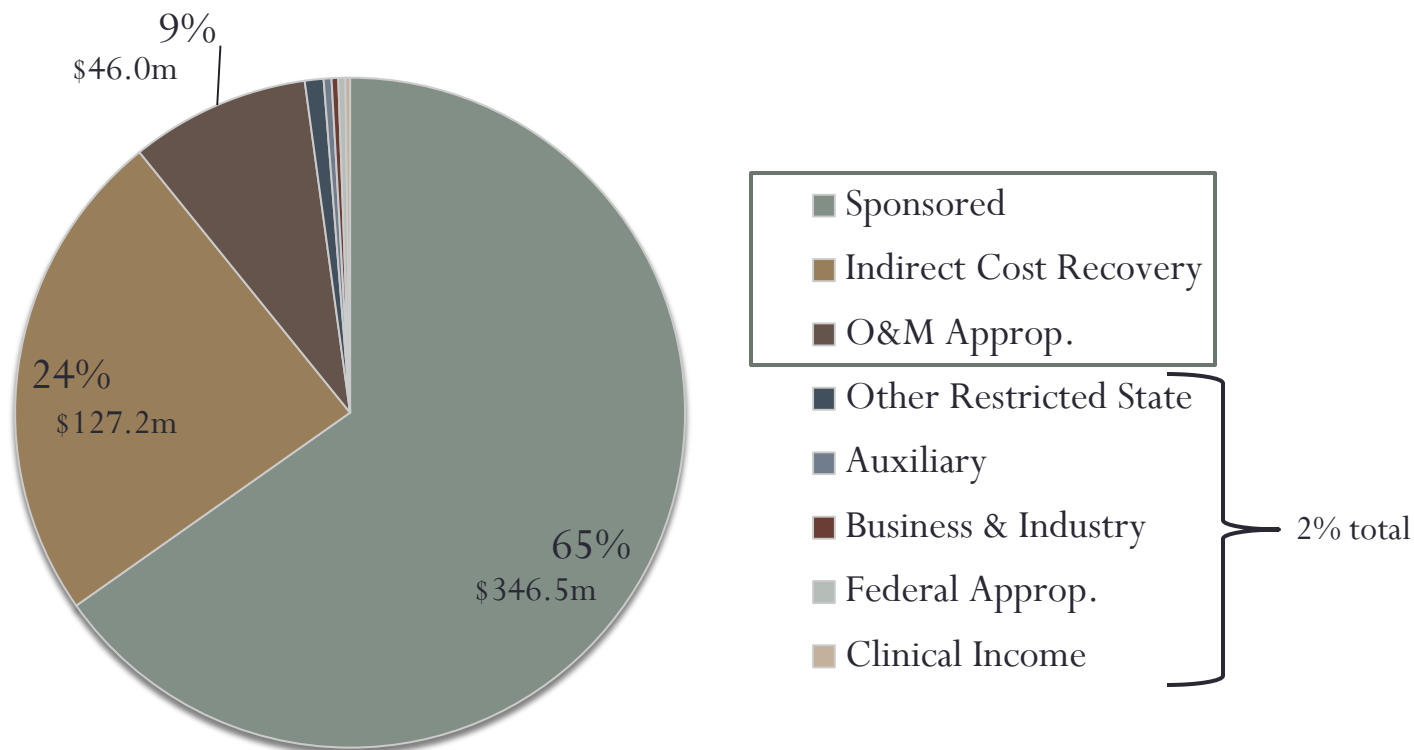


# Total Sponsored Research Spending FY10 – \$531.2 Million

Sponsored Activity Direct Spending = \$353m  
(Coded as “Research” in Sponsored Funds)

Sponsored Activity “Indirect” Spending = \$178.2m

## Revenues Supporting the \$531.2 Million of Sponsored Research Spending

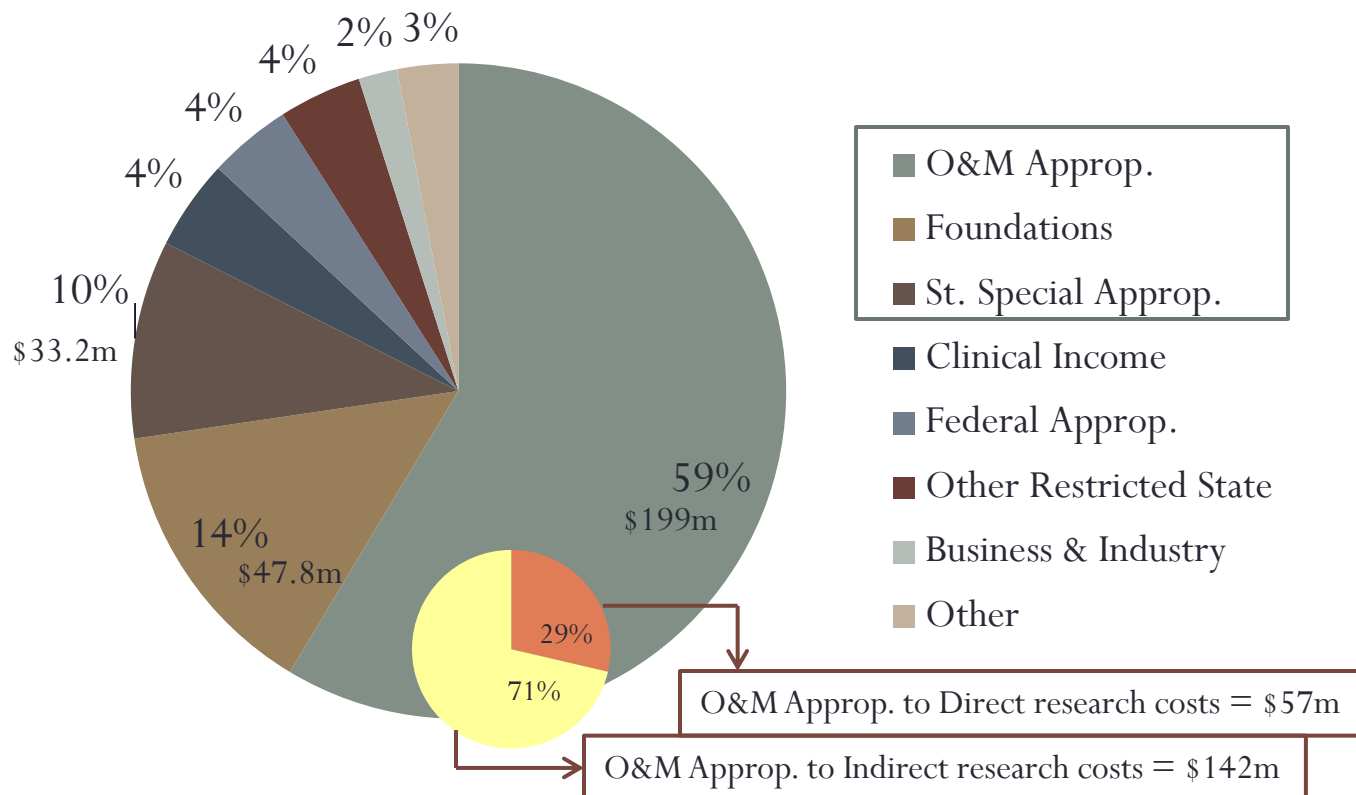


# Total Non-Sponsored Research Spending FY10 – \$339.6 Million

Non-Sponsored Activity Direct Spending = \$225.6m  
(Coded as “Research” in Non-Sponsored Funds)

Non-Sponsored Activity “Indirect” Spending = \$114m

## Revenues Supporting the \$339.6 Million of Non-Sponsored Research Spending



# Total Public Service Spending FY10 - \$304.6 Million

\$201.0 million – “direct costs” – spending coded with the Pub Serv. Function Code

**Examples:** MN Extension Service, VDL,  
grants with a specific public benefit intent, etc.

\$103.6 million – “indirect costs” – spending coded with other function codes -  
allocated to Pub Serv. through our methodology

**Examples:** portion of Deans’ Offices, portion of  
President’s Office; portion of Controller,  
facility costs, etc.

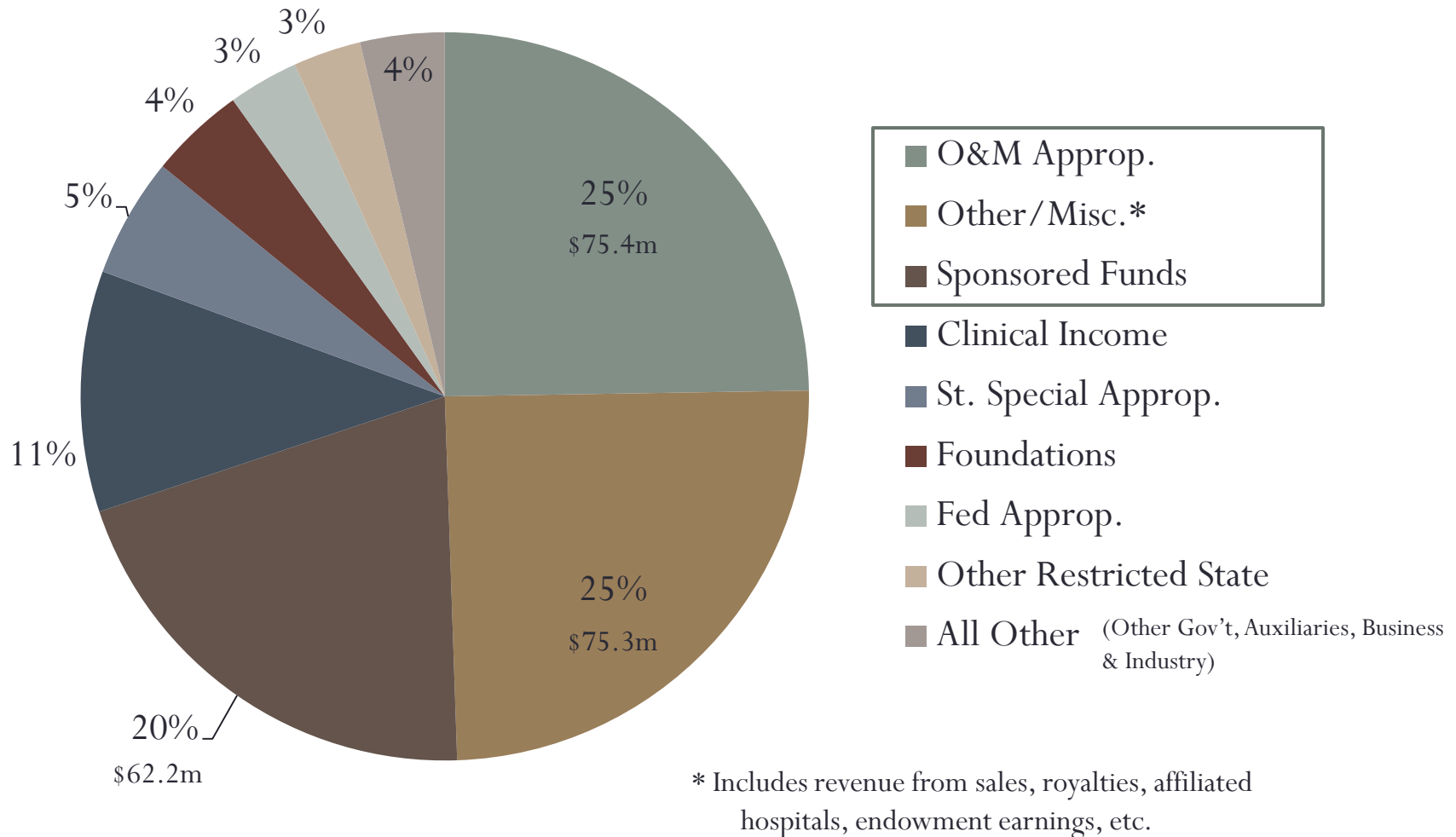
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\$304.6 million - Total

Of the \$201.0 Million of Direct Costs:

- \$95.6 million was in Twin Cities Colleges
- \$8.3 million was in the Coordinate Campuses
- \$97.1 million was in Other Units (MN Extension, University Libraries,  
Institution-Wide Centers etc.)

# Revenues Supporting the \$304.6 Million of Public Service Spending



# Total Auxiliary Spending FY10 –\$251.8 Million

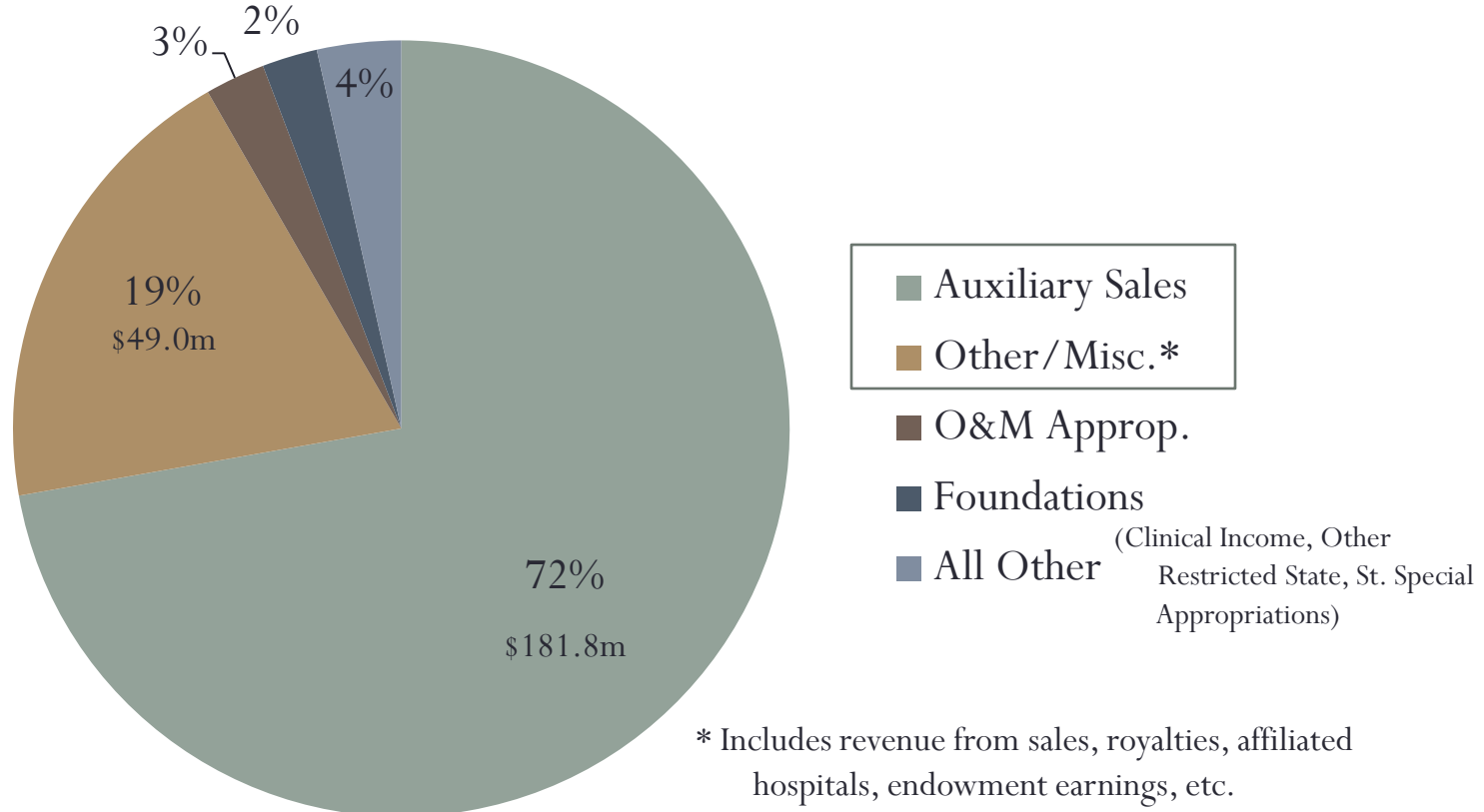
*Examples:*

Intercollegiate Athletics  
Book Stores

Housing  
Dining Services

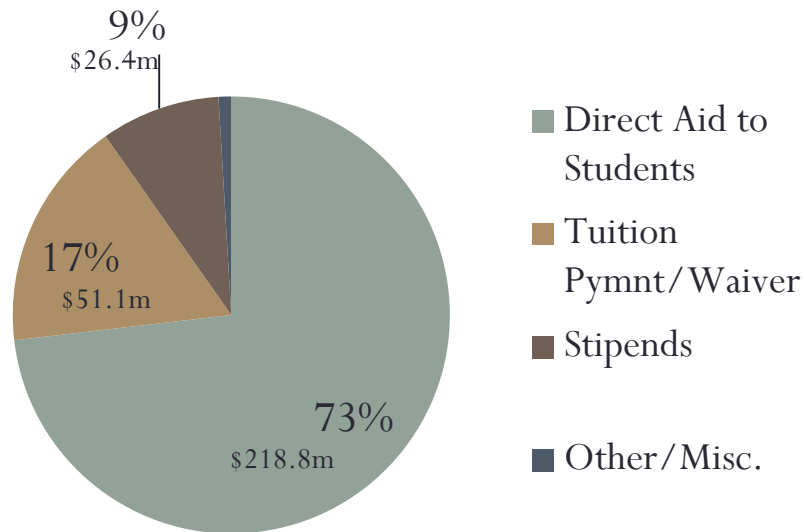
Parking

## Revenues Supporting Auxiliary Spending



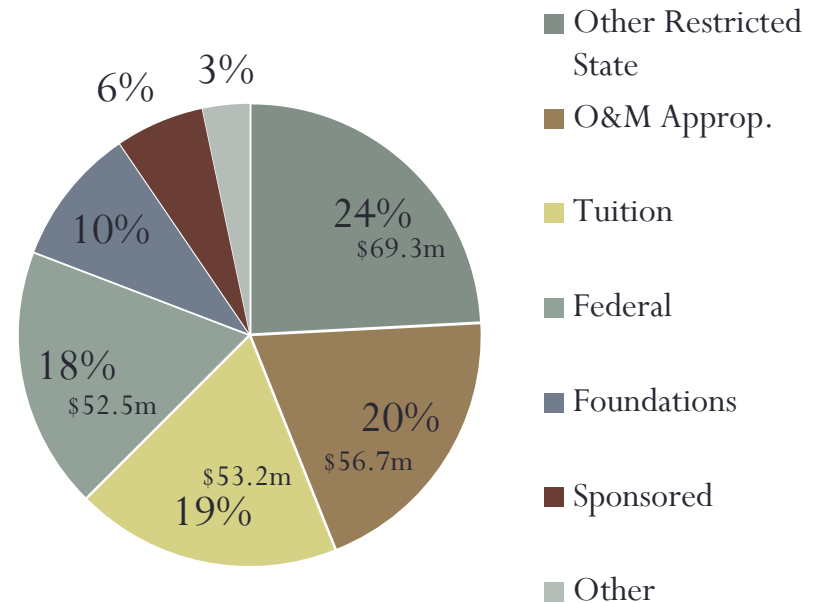
# Total Student Aid Spending FY10 – \$299.1 Million

## Types of Aid



**Direct Aid to Students** = Fellowships, Grants and Scholarships  
**Tuition Payment/Waivers** = Depts. Charged for Tuition  
**Stipends** = to Trainees, Research Assistants, Fellows, etc.  
**Other** = (examples) Awards to non-degree students, travel awards,

## Revenue Sources



**Other Rest. State** = ARRA, St. Grant Prog., Work Study  
**Federal** = PEL, SEOG  
**Sponsored** = to Research Assistants  
**Other** = Athletic Scholarships, Local Gov't Scholarships

# Total Instruction Spending FY10 - \$1,121.6 Million

\$668.1 million – “direct costs” – spending coded with the Instruction Function Code

**Examples:** salary and fringe for instructional faculty, supplies and materials, teaching assistants, etc.

\$453.5 million – “indirect costs” – spending coded with other function codes - allocated to Instruction through our methodology

**Examples:** portion of Deans’ Offices, portion of President’s Office; portion of Controller, facility costs, etc.

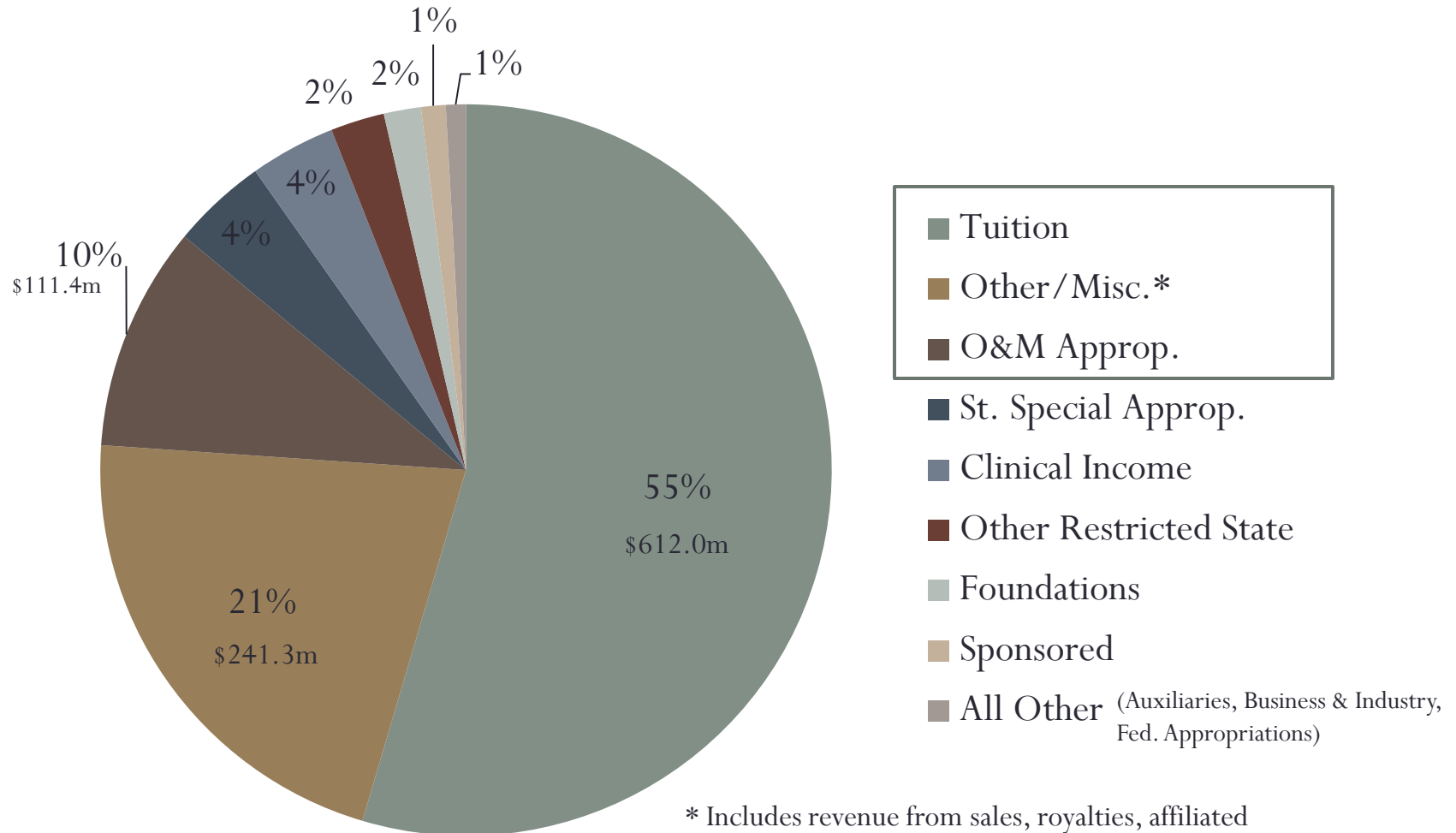
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\$1,121.6 million - Total

Of the \$668.1 Million of Direct Costs:

- \$551.3 million was in Twin Cities Colleges
- \$75.5 million was in the Coordinate Campuses
- \$41.3 million was in Other Units (primarily Institution-Wide Centers)

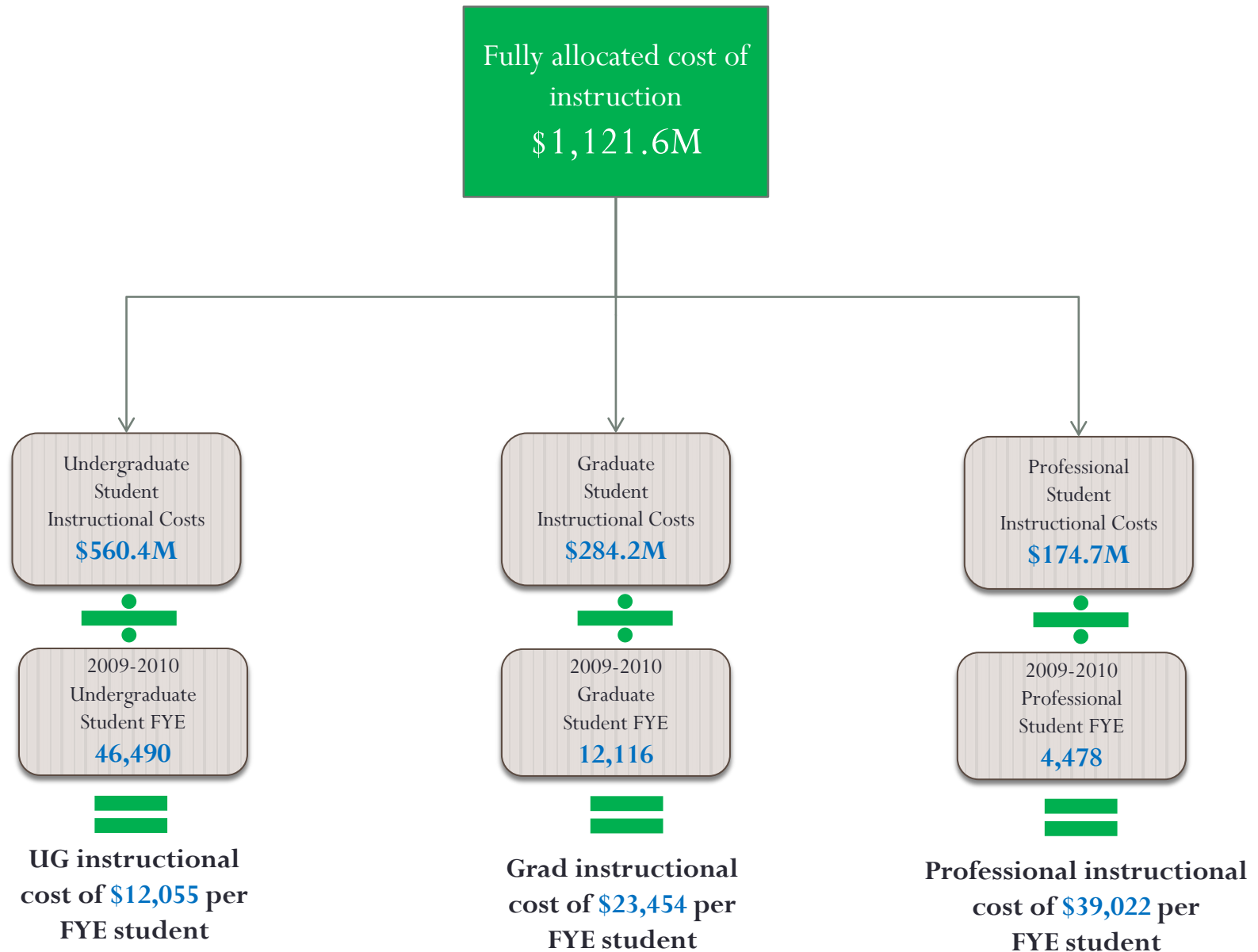
# Revenues Supporting the \$1,121.6 Million of Instruction Spending



\* Includes revenue from sales, royalties, affiliated hospitals, fees, endowment earnings, etc.



Methodology: Distributing fully allocated instructional costs among student types –  
System-wide totals and weighted averages FY10



# Cost of Instruction-2<sup>nd</sup> Level Analysis

## What might cause instructional costs to vary among colleges and campuses?

- Faculty effort allocation among missions as shown in the ledger
- Market driven faculty salaries
- Curricular factors — section size, overall FYE per faculty, availability of TAs/adjuncts, etc.
- Volume of service teaching
- Amount spent on student services within colleges/campuses
- Cost and complexity of unique instructional space and equipment/materials
- Some programs are highly instructor intensive (e.g., Ph.D. work with faculty advisors, music programs)

# Cost of Instruction-2<sup>nd</sup> Level Analysis

## Undergraduate Education

### Cost per full year equivalent (FYE) student – FY10

Unit	Fully loaded cost per FYE
Biological Sciences	\$14,294
Continuing Education	\$12,259
Education & Hum Dev.	\$9,625
CFANS	\$13,307
Liberal Arts	\$11,144
Sci. & Engineering	\$10,721

Unit	Fully loaded cost per FYE
CSOM	\$16,049
Design	\$14,696
Nursing	\$13,464
Crookston	\$11,446
Duluth	\$11,046
Morris	\$16,273

Campus	2009-10 Resident Undergraduate Tuition Rate
Twin Cities	\$10,320
Duluth	\$10,030

Campus	2009-10 Resident Undergraduate Tuition Rate
Morris	\$10,030
Crookston	\$8,588

# Tuition vs. instructional costs

- Several revenue sources support the cost of instruction beyond tuition
- University tuition policy historically based on several factors beyond cost of instruction
- University of Minnesota has implemented a single undergraduate tuition rate by campus for many years

# Cost of Instruction-2<sup>nd</sup> Level Analysis

## Graduate and Professional Education – FY10

Unit	Fully loaded cost per FYE
Biological Sciences	\$37,830
Continuing Education	\$23,110
Education & Hum Dev.	\$16,116
CFANS	\$21,747
Liberal Arts	\$32,274
Sci. & Engineering	\$28,562
CSOM	\$16,950
Dentistry	\$52,521
Design	\$22,881

Unit	Fully loaded cost per FYE
Public Affairs	\$13,902
Law	\$36,876
Medical School	\$50,038
Nursing	\$27,268
Pharmacy	\$21,176
Public Health	\$21,266
Vet Med	\$47,512
Duluth	\$22,034

Note: Professional program costs are shown for Dentistry, Pharmacy, Veterinary Medicine, and the Medical School. These colleges also have graduate programs with costs of a similar magnitude. Medical School costs do not include cost of residency.

# Next Steps

- Replicate with FY11 and FY12 data to construct trend-lines
- Work with colleges and campuses on providing appropriate sub-analysis to meet local needs and correct unique methodological issues
- Work with senior academic leadership to incorporate this information into the compact planning process
- Move revenue analysis to the collegiate/campus level, to better anticipate opportunities and threats to different missions as revenue streams vary
- Use data for unit-level long range financial planning discussions and analysis